

International Conference

ON

CASHLESS ECONOMY

(Challenges, Issues & Practice)

Organised By -

TEERTHANKER MAHAVEER UNIVERSITY

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INTRODUCTION

Cashless Economy describes an economic state whereby financial transactions are not conducted with money in the form of physical banknotes or coins, but rather through the transfer of digital information (usually an electronic representation of money) between the transacting parties, Cashless societies have existed, based on barter and other methods of exchange, and cashless transactions have also become possible using digital currencies such as bit coin. However this article discusses and focuses on the term "cashless economy" in the sense of a move towards, and implications of a society where cash is replaced by its digital equivalent- in other words, legal tender (money) exists, is recorded, and is exchanged only in electronic digital form.

Such a concept has been discussed widely, particularly because the world is experiencing a rapid and increasing use of digital methods of recording, managing, and exchanging money in commerce, investment and daily life in many parts of the world, and transactions which would historically have been undertaken with cash are often now undertaken electronically or digitally. Some countries now set limits on transactions and transaction values for which non-electronic payment may be legally used.

CASHLESS INDIA

In INDIA cash is like water a basic necessity without which survival is a challenge. Nevertheless, cash use doesn't seem to be waning all that much, with around 85% of payments still made using cash. One of the main reasons is that there is nothing to truly compete with the flexibility of notes and coins.

Of course, the digital era is something to embrace, and new methods of payments will continue to be introduced. But Indians need to recognize the risks and benefits of different payment instruments, the risks associated with electronic payment instruments are far more diverse and severe. Recently lakhs of debit card data were stolen by hackers; the ability of Indian financial institutions to protect the electronic currency came into question also an important reason why people favour cash.

In a courageous move to combat black money and counterfeit currency, Narendra Modi's government scrapped currency notes of INR 500 and INR 1000 denominations, which is seen as an unprecedented measure, though a giant leap towards curbing corruption and forged currency. The declaration created confusion across the spectrum, as these high-value notes form around 86% of total legal tender.

However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetization that was aimed to extract liquidity from the system to unearth black money. Prime Minister Narendra Modi acknowledged the fact in his monthly radio programme, 'Mann Ki Baat' that making the transition to cashless economy is challenging, and hence has urged the public to move to 'less-cash' society.

Why Is Cash Required?

The magnificence of cash is that -- it just works; even in the isolated whereabouts of India, where the government might not be present physically with its paraphernalia, its injunction runs in the form of legal tender that public uses for business on an everyday basis. A large informal economy that supports a major part of Indian population and their livelihoods also runs in cash. This is why Cash is yet King.

The ground reality reveals, a majority of transactions in Kirana stores, the go-to shop for daily purchases in India are cash based transactions, because these are generally small ticket transactions. The customers, as well as Kirana store owners feel more comfortable in dealing with cash for small transactions, while these merchants also provide credit facility to customers.

CHALLENGES

A major obstacle for the quick adoption of alternate mode of payments is mobile internet penetration, which is crucial because point-of-sale (PoS) terminal works over mobile internet connections, while banks have been charging money on card-based transactions, which is seen as a hurdle. The low literacy rates in rural India, along with the lack of infrastructure like internet access and Power make things extremely difficult for people to adopt e-transaction route.

The financial safety over the digital payment channels is important for pushing the cashless economy idea. Imagine losing your credit cards or being the victim of digital hackers can lead to a whole host of issues like denied payment, identity theft, account takeover, fraudulent transactions and data breaches. According to the digital security company Gemalto, more than 1 billion personal records were compromised in 2014.

BENEFITS OF CASHLESS SOCIETY

1. It will be very convenient for everyone if cashless transactions are widely accepted. No hassle to carry cash and less risky. I have seen in other countries you hardly need to carry any cash as most of the transactions can be cashless.
2. You can view history of your expenses easily and manage your budget smartly.
3. All cashless transactions become above ground and visible / traceable. So they are taxable (less black money) and also encourage people to transact legally and pay taxes.

4. Tax collections will increase significantly and that revenue can be used for the benefit of society - building infrastructure, helping poor and less privileged people, education, health care etc. It can be used to lift Indians out of poverty and also fuel economic growth.
5. As tax collection increases; tax rates can be reduced (as tax net becomes wider) and tax rules simplified.
6. Any monetary help to poor and needy people can be through bank transfers (even payment for rural employment generation schemes like MNREGA). No instances of middle men siphoning off the aid and exploiting the poor. This is coupled with infrastructure so that those people can use the money in their bank accounts for cashless transactions (even using non-smart feature phones).
7. It will be difficult to have counterfeit currency and / or support criminal activities and terrorism.
8. Much better data of India's GDP including informal and service sector to understand what sectors are growing and where support is needed.
9. Less need to print paper currency and replace it so reducing those costs.
10. Wealth stored with banks as savings accounts, FDs or investments is used for productive use (invested back in public and private sector by their banks) instead of wealth lying unused as stacks of currency bills hidden under mattresses and in cupboards.

PRACTICE ; STEPS TAKEN BY GOVT.

When the Narendra Modi-led central government on November 8 announced the discontinuation of Rs 500 and Rs 1,000 currency notes as legal tender, not everyone knew what lay ahead. But everyone appreciated the government's intent of cracking down on the flow of black money into the system. For this, the government is looking at reducing cash transactions in the country and moving increasingly towards the idea of plastic economy.

However, if the problems people have faced in the days after the demonetization announcement – manifest in the long queues at bank branches and ATM centers for valid currency notes – are any indication, India's shift to a cashless economy is not going to be easy.

So, to promote the use of plastic money and reduce people's dependence on cash, the government has lately announced a slew of measures.

Some major steps taken by the Government of India at the time of demonetization are as follows:-

1. No transaction charges on debit cards
2. No service tax for online train booking till Dec 30
3. Parking fee waive at airport till Nov 28
4. RBI directed banks to waive ATM charges till Dec 30
5. Telco waive banking charges till Dec 31